

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Dickinson-Iron Intermediate School</b>	County <b>Dickinson</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>7/28/05</b>	Date Accountant Report Submitted to State: <b>10/6/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name)

**Anderson, Tackman & Company, PLC**

Street Address

**201 E. Hughitt**

City

**Iron Mountain**

State

**MI**

ZIP

**49801**

Accountant Signature

Date

**10-5-05**

**DICKINSON-IRON INTERMEDIATE**  
**SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)

For the Year Ended June 30, 2005

# DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Dickinson-Iron Intermediate School District  
Kingsford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson-Iron Intermediate School District ("District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson-Iron Intermediate School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards and schedule of federal financial awards provided to sub recipients are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
July 28, 2005

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

Dickinson-Iron Intermediate School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2005.

*Management's Discussion and Analysis (MD&A)*  
(Required Supplemental Information)

Basic Financial Statements

*District-Wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

*(Required Supplemental Information)*  
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**Fund Financial Statements**

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, Special Education Fund, Technical Education Fund, Early Childhood Fund, Debt Retirement Fund, and Capital Projects Fund. The General Fund, Special Education Fund, and Technical Education Fund are used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities.

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**Financial Analysis of the District as a Whole**

Summary of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Assets:</b>		
Current assets	\$ 2,832,374	\$ 2,418,880
Net capital assets	<u>3,229,501</u>	<u>3,701,978</u>
<b>Total assets</b>	<u>6,061,875</u>	<u>6,120,858</u>
<b>Liabilities:</b>		
Current liabilities	229,562	243,336
Long term liabilities	<u>344,220</u>	<u>345,705</u>
<b>Total liabilities</b>	<u>573,782</u>	<u>589,041</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	2,946,326	3,418,803
Unrestricted	<u>2,541,767</u>	<u>2,113,014</u>
<b>Total net assets</b>	<u>5,488,093</u>	<u>5,531,817</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 6,061,875</u>	<u>\$ 6,120,858</u>

The School District's net assets totaled \$5,488,093 at June 30, 2005, compared to \$5,531,817 at June 30, 2004. Total net assets can be separated into two categories: invested in capital assets, net of related debt and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$5,108,990 at June 30, 2005, and \$5,667,722 at June 30, 2004. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$1,879,489 at June 30, 2005, and \$1,965,744 at June 30, 2004. Total debt related to capital assets was \$283,175 at June 30, 2005, and \$283,175 at June 30, 2004.



Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

The remaining balance in unrestricted assets represents an excess balance of \$2,541,767 at June 30, 2005, and \$2,113,014 at June 30, 2004.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2005 and June 30, 2004 is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Program revenue		
Charges for services-local	\$ 691,626	\$ 829,026
Operating grants - federal state local	<u>3,619,504</u>	<u>3,723,337</u>
Total program revenue	<u>4,311,130</u>	<u>4,552,363</u>
General revenue		
Property taxes levied for general operations	2,364,373	2,149,471
Property taxes levied for debt service	-	-
State of Michigan aid, unrestricted	2,049,728	2,210,852
Other- federal, state and local	<u>594,271</u>	<u>373,386</u>
Total general revenue	<u>5,008,372</u>	<u>4,733,709</u>
Total revenue	<u>9,319,502</u>	<u>9,286,072</u>
Expenses		
Instruction	4,837,569	4,499,845
Support services	4,289,515	4,401,227
Community services	-	-
School service	-	-
Interest on long term debt	225,501	(6,635)
Depreciation (unallocated)	<u>10,641</u>	<u>266,061</u>
Total expenses	<u>9,363,226</u>	<u>9,160,498</u>
(Decrease) increase in net assets	(43,724)	125,574
Net Assets July 1	<u>5,531,817</u>	<u>5,406,243</u>
Net Assets June 30	<u>\$ 5,488,093</u>	<u>\$ 5,531,817</u>

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall condition of the governmental funds has decreased during June 30, 2005, and increased during June 30, 2004. Several factors contributed to this situation including an executive order reduction of funding by the State of Michigan and a reduction in grant funding. In Technical Education there were reductions in Added Cost funding. The reduction in the Section 81 State Aid money, which is the General Operation, affects General fund, Special Education Fund, and Technical Education Fund. The net result of all these changes in State Aid was from \$556,172 to \$471,263 or a 15% reduction. Expenditure increases occurred in the area of Health Insurance and the rising cost of supplies and utilities.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund, Special Education Fund, Technical Education Fund, and Early Childhood Fund. All the fund's operating budgets were amended each month during the fiscal year.

**General Fund Operations**

In the General Fund operations, the actual revenue for fiscal year June 30, 2005 was \$1,724,751. This is above the original budget of \$1,269,728 and below the final budget of \$1,725,952 - a variance of (0.07) %. The actual expenditures of the general fund for fiscal year June 30, 2005 operations were \$1,446,480. This is above the original budget of \$1,208,531 and above the final budget of \$1,442,589 - a variance of (0.27) %.

**Variance Explanations from the Original Budget to Final Budget**

**Revenue:** The main differences occurred in the designated revenue area. These revenues include; Math/Science Best Practice, Science Camp, Science Fair, and Internet registration. These revenues fluctuate greatly from year to year. Another factor was grants that were not fully expended so the un-expended revenue was deferred.

**Variance Explanations from the Final Budget to Actual**

**Revenue:** The variance of Final to Actual totaled \$1,201. This was due to grant deferrals

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**Other Fund Variances**

The variances between the actual revenues and the original and final revenue budgets are due primarily to the following.

- less than anticipated amount for Medicare school based funding
- carryover in Federal Programs
- reductions in State Aid due to executive order reductions

The variances between the actual expenditures and the original and final expenditure budgets are due primarily to the following.

- employee salary contract settlements and benefit adjustments
- federal expenditure carried over to subsequent years

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**GOVERNMENTAL FUND EXPENDITURES**

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Expenditures June 30, 2005	Percentage	Expenditures June 30, 2004	Percentage
General Fund	\$ 1,446,480	16.34%	\$ 1,469,238	15.29%
Special Education	4,085,588	46.16%	4,106,118	42.73%
Technical Education	1,812,197	20.47%	1,833,506	19.08%
Early Childhood	1,462,870	16.53%	1,441,323	15.00%
Other Funds	44,481	0.50%	759,805	7.91%
Total Expenditures	\$ 8,851,616	100.00%	\$ 9,609,990	100.00%

**TOTAL REVENUES**

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2005	Percentage	Total Revenue June 30, 2004	Percentage
State of Michigan Aid unrestricted	\$ 2,049,728	21.99%	\$ 2,210,853	23.81%
Prop taxes general operation	2,364,373	25.37%	2,149,471	23.15%
Operating grants federal state local	3,619,504	38.84%	3,723,337	40.10%
Charges for services - local	691,626	7.42%	829,026	8.93%
Other federal state local	594,271	6.38%	373,386	4.02%
Total Revenues	\$ 9,319,502	100.00%	\$ 9,286,073	100.00%

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**Unrestricted State Aid**

Special Education is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of a reduction in Section 81 monies.

**Property Taxes**

The District levies 2.1388 mills of property taxes on all Non-Homestead property located within the District for operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

**Operating Grants Federal, State, and Local**

The District is heavily dependent upon Grant funding. Below are some of the major grants and their funding sources:

State:	ASAP Pie, Math & Science, Michigan School Readiness, and Homeland Security
Federal:	American History, Early On, Economic Education, Transition, Flow-Through, Pre-School, State Initiated, Capacity, Perkins, Tech Prep, and Head Start
Local:	Reading First, Tell, and Ugleti

**ENROLLMENT**

Special Education is the only fund that receives State Aid based on student enrollment. The enrollment has remained steady, and is expected to continue at near current levels. The 2004/2005 student count was 98.75, which will become part of the Special Education foundation payments for the 2005/2006 fiscal year.

Dickinson-Iron Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2005, the District had \$5,108,990 invested in land and building, furniture and equipment, vehicles and buses compared to \$5,667,722 at June 30, 2004. Of this amount, \$1,879,489 and \$1,965,744 has been depreciated at June 30, 2005 and June 30, 2004 respectively. Net book value totaled \$3,229,501 at June 30, 2005, and \$3,701,978 at June 30, 2004. Part of the reduction was due to the sale of two Special Education and four Early Childhood buses for \$130,000. The District maintains a \$1,000 threshold for capitalization of assets.

**Outstanding Debt at Year End**

As of June 30, 2005 the District had \$283,175 in bonds outstanding for the Durant Settlement, compared to \$283,175 at June 30, 2004. The District collects state funding equal to the payments on a yearly basis.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Dickinson-Iron Intermediate School District. For additional detailed financial information contact:

Wendy Warmuth  
Director of Business/Technology  
Dickinson-Iron Intermediate School District  
1074 Pyle Drive  
Kingsford, MI 49802  
Office Telephone (906) 779-2663  
Fax Telephone (906) 779-7713

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

June 30, 2005

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets:	
Cash and equivalents	\$ 2,142,041
Receivables:	
Taxes	2,989
Accounts	102,880
Due from other governments	<u>584,464</u>
Total current assets	<u>2,832,374</u>
Noncurrent assets:	
Capital assets	5,108,990
Accumulated depreciation	<u>(1,879,489)</u>
Total noncurrent assets	<u>3,229,501</u>
TOTAL ASSETS	<u>6,061,875</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	62,970
Accrued interest	35,584
Deferred revenue	79,053
Early retirement	30,500
Bonds payable	<u>21,455</u>
Total current liabilities	<u>229,562</u>
Noncurrent liabilities:	
Early retirement	82,500
Bonds payable	<u>261,720</u>
Total noncurrent liabilities	<u>344,220</u>
TOTAL LIABILITIES	<u>573,782</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	2,946,326
Unrestricted	<u>2,541,767</u>
TOTAL NET ASSETS	<u>\$ 5,488,093</u>

The accompanying notes to the financial statements are an integral part of this statement.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities:					
Instruction	\$ 4,837,569	\$ 543,986	\$ 3,619,504	\$ -	\$ (674,079)
Support	4,289,515	147,640	-	-	(4,141,875)
Depreciation	225,501	-	-	-	(225,501)
Debt interest, fees and expenses	10,641	-	-	-	(10,641)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>9,363,226</b>	<b>691,626</b>	<b>3,619,504</b>	<b>-</b>	<b>(5,052,096)</b>
General revenues:					
Property taxes					\$ 2,364,373
State revenue sharing					2,049,728
Grants and contributions not restricted to specific programs					421,332
Unrestricted investment earnings					73,585
Other					99,354
Total general revenues and transfers					5,008,372
Changes in net assets					(43,724)
Net assets, beginning of year					5,531,817
Net assets, end of year					\$ 5,488,093

The accompanying notes to the financial statements are an integral part of this statement.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2005

	General	Special Education	Technical Education	Early Childhood
ASSETS:				
Cash and equivalents	\$ 316,029	\$ 369,870	\$ 393,672	\$ (1,073)
Taxes receivable	236	1,377	1,376	-
Accounts receivable	21,660	80,855	365	-
Due from other governments	316,789	173,075	94,600	-
	<u>316,789</u>	<u>173,075</u>	<u>94,600</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 654,714</u>	<u>\$ 625,177</u>	<u>\$ 490,013</u>	<u>\$ (1,073)</u>
LIABILITIES:				
Accounts payable	\$ 14,358	\$ 44,342	\$ 4,123	\$ 147
Deferred revenue	79,053	-	-	-
	<u>79,053</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>93,411</u>	<u>44,342</u>	<u>4,123</u>	<u>147</u>
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Unreserved-Designated	-	87,859	70,900	-
Unreserved-Undesignated	561,303	492,976	414,990	(1,220)
	<u>561,303</u>	<u>492,976</u>	<u>414,990</u>	<u>(1,220)</u>
TOTAL FUND BALANCE AND OTHER CREDITS	<u>561,303</u>	<u>580,835</u>	<u>485,890</u>	<u>(1,220)</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 654,714</u>	<u>\$ 625,177</u>	<u>\$ 490,013</u>	<u>\$ (1,073)</u>

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes to the financial statements are an integral part of this statement.



ECE Building Capital Projects	2004 Capital Projects	Total Governmental Funds
\$ 41,473	\$ 1,022,070	\$ 2,142,041
-	-	2,989
-	-	102,880
-	-	584,464
<u>\$ 41,473</u>	<u>\$ 1,022,070</u>	<u>\$ 2,832,374</u>
\$ -	\$ -	\$ 62,970
-	-	79,053
-	-	142,023
41,473	1,022,070	1,222,302
-	-	1,468,049
<u>41,473</u>	<u>1,022,070</u>	<u>2,690,351</u>
<u>\$ 41,473</u>	<u>\$ 1,022,070</u>	<u>\$ 2,832,374</u>

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2005

Total fund balances for governmental funds \$2,690,351

Total net assets reported for governmental activities in the statement  
of net assets is different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. Those assets  
consist of:

Land and buildings	\$ 2,949,140	
Equipment	1,788,582	
Vehicles	<u>371,268</u>	

Total capital assets	5,108,990	
Accumulated depreciation	<u>(1,879,489)</u>	

Net capital assets 3,229,501

Long-term liabilities applicable to the District's governmental  
activities are not due and payable in the current period and accordingly  
are not reported as fund liabilities. Interest on long-term debt is not  
accrued in governmental funds, but rather is recognized as an  
expenditure when due. All liabilities, both current and long-term, are  
reported in the statement of net assets.

Accrued interest on long-term debt	\$ (35,584)	
------------------------------------	-------------	--

Bonds payable	(283,175)	
Teachers early retirement	<u>(113,000)</u>	<u>(431,759)</u>

Total net assets of governmental activities \$5,488,093



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005

	<u>General</u>	<u>Special Education</u>	<u>Technical Education</u>	<u>Early Childhood</u>
REVENUES:				
Local Sources	\$ 549,406	\$ 1,681,507	\$ 1,575,409	\$ 37,847
Intermediate Sources	57,716	-	-	-
State Sources	772,217	1,018,320	201,475	-
Federal Sources	345,412	1,432,511	92,261	1,533,909
<b>TOTAL REVENUES</b>	<u>1,724,751</u>	<u>4,132,338</u>	<u>1,869,145</u>	<u>1,571,756</u>
EXPENDITURES:				
Instruction:				
Current	355,890	2,021,177	965,885	663,442
Capital outlay	2,004	11,326	26,891	2,323
Supporting services:				
Current	936,195	1,831,448	645,980	788,135
Capital outlay	25,339	59,389	15,957	8,970
<b>TOTAL EXPENDITURES</b>	<u>1,319,428</u>	<u>3,923,340</u>	<u>1,654,713</u>	<u>1,462,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>405,323</u>	<u>208,998</u>	<u>214,432</u>	<u>108,886</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	178,886	135,436	72,514	-
Payments to other governmental units	(127,052)	(162,248)	(157,484)	-
Transfers out	(307,950)	(60,000)	(83,000)	(108,886)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(256,116)</u>	<u>(86,812)</u>	<u>(167,970)</u>	<u>(108,886)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	149,207	122,186	46,462	-
<b>FUND BALANCE, JULY 1</b>	<u>412,096</u>	<u>458,649</u>	<u>439,428</u>	<u>(1,220)</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 561,303</u>	<u>\$ 580,835</u>	<u>\$ 485,890</u>	<u>\$ (1,220)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



<u>ECE Building Capital Projects</u>	<u>2004 Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 957	\$ 20,555	\$ 3,865,681
-	-	57,716
-	-	1,992,012
-	-	3,404,093
<u>957</u>	<u>20,555</u>	<u>9,319,502</u>
-	-	4,006,394
-	-	42,544
-	-	4,201,758
<u>4,041</u>	<u>40,440</u>	<u>154,136</u>
<u>4,041</u>	<u>40,440</u>	<u>8,404,832</u>
<u>(3,084)</u>	<u>(19,885)</u>	<u>914,670</u>
-	173,000	559,836
-	-	(446,784)
<u>-</u>	<u>-</u>	<u>(559,836)</u>
<u>-</u>	<u>173,000</u>	<u>(446,784)</u>
(3,084)	153,115	467,886
<u>44,557</u>	<u>868,955</u>	<u>2,222,465</u>
<u>\$ 41,473</u>	<u>\$ 1,022,070</u>	<u>\$ 2,690,351</u>

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

Net changes in fund balances – total governmental funds \$ 467,886

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$(225,501) exceeded capital outlay \$(126,282). (99,219)

Undepreciated balance of retired fixed assets (373,250)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Early retirement obligation	(28,500)
Accrued interest	(10,641)
Changes in net assets of governmental activities	\$ (43,724)



## DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Dickinson-Iron Intermediate School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

#### A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the Dickinson-Iron Intermediate School District.

#### B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.



## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

#### **C. Basic Financial Statements – Fund Financial Statements**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

**Governmental Funds** - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**General Fund** - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.





## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Dickinson-Iron Intermediate School District's activity.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets - This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

#### **D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

##### Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



# DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### **D. Measurement Focus and Basis of Accounting (Continued)**

State Foundation Revenue - For the fiscal year ended June 30, 2005, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2004.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

**F. Interfund Balances and Transfers**

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

**G. Inventories and Prepaid Items**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$1,000.



# **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **I. Long-Term Debt**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

#### **J. Compensated Absences**

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

#### **K. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

#### **Fund Mills**

General Fund - Non-Homestead	.1676
Debt Retirement	.9856
Technical Education	.9856

#### **L. Unemployment Insurance**

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.



## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **M. Fund Balance**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes.

##### **N. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - all governmental fund types.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.



## DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

#### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget for the year ended June 30, 2005 was adopted on June 9, 2004 and formally amended at each monthly board of education meeting.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Special Revenue Funds is presented as Required Supplemental Information.

#### NOTE 2 - CASH AND EQUIVALENTS

##### Deposits

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 600
Checking accounts	100,002
Repurchase sweep accounts	<u>2,041,439</u>
TOTAL	<u>\$2,142,041</u>

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

##### Deposit Risk

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2005, the District's checking accounts were not exposed to credit risk because they were fully insured. The repurchase sweep accounts were collateralized with U.S. Govt. securities with a fair market value of \$ 3,499,144 at June 30, 2005.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 3 - INTERFUND BALANCES AND TRANSFERS**

There are no Interfund receivables and payables for the year ended June 30, 2005.

Interfund transfers for the year ended June 30, 2005 are as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund:		
Special Education	\$ -	\$ 100,436
Technical Education	-	37,514
Capital Projects	-	100,000
Early Childhood	<u>108,886</u>	<u>-</u>
Total	<u>108,886</u>	<u>237,950</u>
Special Education:		
General Fund	100,436	-
Capital Projects	<u>-</u>	<u>25,000</u>
Total	<u>100,436</u>	<u>25,000</u>
Technical Education:		
General Fund	37,514	-
Capital Projects	<u>-</u>	<u>48,000</u>
Total	<u>37,514</u>	<u>48,000</u>
Early Childhood:		
General Fund	<u>-</u>	<u>108,886</u>
Capital Projects:		
General Fund	100,000	-
Special Education	25,000	-
Technical Education	<u>48,000</u>	<u>-</u>
Total	<u>173,000</u>	<u>-</u>
Totals	\$ <u>419,836</u>	\$ <u>419,836</u>



# DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

### NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land and buildings	\$ 2,908,700	\$ 40,440	\$ -	\$ 2,949,140
Equipment	1,707,440	85,842	(4,700)	1,788,582
Vehicles	1,051,582	-	(680,314)	371,268
TOTALS	\$ 5,667,722	\$ 126,282	\$(685,014)	\$ 5,108,990
Accumulated Depreciation	(1,965,744)	\$ (225,501)	\$ 311,764	(1,879,481)
Net Fixed Assets	\$ 3,701,978			\$ 3,229,509

Depreciation for the year ended June 30, 2005, amounted to \$225,501. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

### NOTE 5 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2005, the following changes occurred in long-term obligations:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
Durant Bonds	\$ 283,175	\$ -	\$ -	\$ 283,175	\$ 21,455
Employee Benefits:					
Teachers Early Retirement	84,500	50,000	(21,500)	113,000	30,500
TOTALS	\$ 367,675	\$ 50,000	\$ (21,500)	\$ 396,175	\$ 51,955

### NOTE 6 - BONDS AND NOTES PAYABLE

Long-term obligations at June 30, 2005 is comprised of the following amounts:

1. 1998 Durant Bonds, in the original amount of \$443,244 due in annual installments from \$31,124 to \$55,407 through May, 15, 2013, with interest at 4.75%. \$283,175





**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 6 - BONDS AND NOTES PAYABLE (Continued)**

The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

2. A commitment to pay equal monthly installments for each year beginning September 1 of the first school year of retirement. On January 1 of each year during which the retirement incentives are due, the retirees may elect to receive the entire amount due for that calendar year in a lump sum.

113,000

**TOTAL LONG-TERM OBLIGATIONS**

**\$396,175**

The annual requirements to amortize long-term obligations outstanding as of June 30, 2005 are as follows:

Year Ended June 30	Bond Issues		Teachers Early Retirement Commitment	Total
	Principal	Interest		
2006	\$ 21,455	\$ 9,671	\$ 30,500	\$ 61,626
2007	102,523	44,356	25,000	171,879
2008	23,547	7,582	25,000	56,129
2009	24,668	6,459	23,500	54,627
2010	25,841	5,284	9,000	40,125
2011-2015	<u>85,141</u>	<u>8,234</u>	<u>-</u>	<u>93,375</u>
<b>TOTALS</b>	<b>\$ <u>283,175</u></b>	<b>\$ <u>81,586</u></b>	<b>\$ <u>113,000</u></b>	<b>\$ <u>477,761</u></b>

Interest expense for the year ended June 30, 2005 was \$10,641.



## DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

#### NOTE 7 FUND BALANCES

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows.

		<u>Unreserved Designated</u>
Special Education:		
Unsettled teacher contracts	\$ 20,859	
Future sick and early retirement benefits	<u>67,000</u>	\$ 87,859
Technical Education:		
Unsettled teacher contracts	44,900	
Future sick and early retirement benefits	<u>26,000</u>	70,900
ECE Building:		
Future capital improvements		41,473
Capital Projects:		
Future capital improvements		<u>1,022,070</u>
TOTAL		<u>\$1,222,302</u>

#### NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990 made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

The District contributed 14.87% of covered compensation through June 30, 2005 to the Plan. The total amount contributed to the Plan for the year ended June 30, 2005 was \$613,055, which consisted of \$529,364 from the District and \$83,691 from employees electing the MIP option.

These represent approximately 14.88% and 2.35% of covered payroll, respectively. The payroll for employees covered by the System for the year ended June 30, 2005 was approximately \$3,557,595.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2004 for the MPSERS as a whole, the actuarial accrued liability was \$42 billion. The pension plan net assets were \$36.8 billion, resulting in a ratio of pension assets at market value to the actuarial accrued liability of 86.5%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time.

The District's 2004 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS September 30, 2003 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

The following is a summary of plan provisions:

**Regular Retirement (no reduction factor for age)**

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age – None.

Annual Amount – Total credited service times 1.5% of final average compensation.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

Final Average Compensation – Average of highest 5 consecutive years (3 years for MIP members).

**Early Retirement (age reduction factor used)**

Eligibility – Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount – Regular retirement benefit, reduced by ½% for each month by which the commencement age is less than 60.

**Deferred Retirement (vested benefit)**

Eligibility – 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount – Regular retirement benefit based on service and final average compensation at time of termination.

**Duty Disability Retirement**

Eligibility – No age or service requirement; in receipt of workers' disability compensation.

Annual Amount – Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

**Non-Duty Disability Retirement**

Eligibility – 10 years of credited service.

Annual Amount – Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

**Duty Death Before Retirement**

Eligibility – No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Annual Amount – Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.



## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

#### **NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

##### **Non-Duty Death Before Retirement**

Eligibility – 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount – Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences at the time a member would have attained the minimum age qualification.

##### **Post-Retirement Cost-of-Living Adjustments**

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjustment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

- Retired before January 1, 1987 – Greater of Supplemental payment or automatic 3% increase
- Retired on or after January 1, 1987 under MIP – Automatic 3% increase only
- Retired on or after January 1, 1987 not under MIP – Supplemental payment only

##### **Post-Retirement Health Benefits**

Members in receipt of pension benefits are eligible for fully System paid Master Health Care Plan coverage (90% System paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially System paid health benefit coverage (no System payment if less than 21 years service).



# **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

### **NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

Dependents are eligible for 90% System paid health benefit coverage (partial System payment for dependents of deferred vested members who had 21 or more years of service).

#### **Member Contributions**

MIP Participants hired before January 1, 1990 – 3.9% of pay.

MIP Participants hired on or after January 1, 1990 – 3.0% of first \$5,000 of pay, plus 3.6% of next \$10,000 of pay, plus 4.3% pay in excess of \$15,000.

Non-MIP Participants – None.

A summary of Actuarial Assumptions and Methods is as follows:

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.
2. The mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 1998.
3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 1998.
4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page of this report. Adopted 1998.
5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.
6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.
8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.
9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's Board and the Department of Management and Budget after consulting with the actuary.

Other Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, as amended, provides that a school district shall not incur expenditures in excess of amounts appropriated. The District budgeted expenditures on a functional basis.

During the year ended June 30, 2005, the District incurred expenditures in a certain account which was in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Total Expended</u>	<u>Expenditure Appropriated</u>	<u>Excess Amount</u>
Technical Education: Supporting Service	\$ <u>595,334</u>	\$ <u>544,333</u>	\$ <u>(51,001)</u>



## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

(Continued)

#### **NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

#### **NOTE 11 - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 12 - SIGNIFICANT ESTIMATES**

Included in footnote 8 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

#### **NOTE 13 - COMMITMENT AND CONTINGENCIES**

The District has a commitment as of June 30, 2005 for the reroofing of part of the Technical Education building. The commitment, which includes labor and supplies, is \$90,692.







**REQUIRED SUPPLEMENTAL INFORMATION**

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
			<u>(Note 1)</u>
REVENUES:			
Local sources	\$ 379,942	\$ 554,422	\$ 553,220
Intermediate sources	213,669	57,716	57,716
State sources	573,701	772,216	772,217
Federal sources	102,416	341,598	341,598
TOTAL REVENUES	<u>1,269,728</u>	<u>1,725,952</u>	<u>1,724,751</u>
EXPENDITURES:			
Instruction	276,330	357,890	357,894
Supporting services	932,201	957,647	961,534
TOTAL EXPENDITURES	<u>1,208,531</u>	<u>1,315,537</u>	<u>1,319,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>61,197</u>	<u>410,415</u>	<u>405,323</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	178,885	178,886
Payments to other governmental units	-	(127,052)	(127,052)
Transfers out	-	(307,950)	(307,950)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(256,117)</u>	<u>(256,116)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>61,197</u>	<u>154,298</u>	<u>149,207</u>
FUND BALANCE, JULY 1	<u>412,096</u>	<u>412,096</u>	<u>412,096</u>
FUND BALANCE, JUNE 30	<u>\$ 473,293</u>	<u>\$ 566,394</u>	<u>\$ 561,303</u>

The accompanying notes to the financial statements are an integral part of this statement.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL EDUCATION FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
			<u>(Note 1)</u>
REVENUES:			
Local sources	\$ 1,777,199	\$ 1,681,505	\$ 1,681,507
State sources	1,190,062	1,018,320	1,018,320
Federal sources	1,446,304	1,432,511	1,432,511
TOTAL REVENUES	4,413,565	4,132,336	4,132,338
EXPENDITURES:			
Instruction	2,229,995	2,032,501	2,032,503
Supporting services	2,003,583	1,875,208	1,890,837
TOTAL EXPENDITURES	4,233,578	3,907,709	3,923,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	179,987	224,627	208,998
OTHER FINANCING SOURCES (USES):			
Transfers in	-	135,436	135,436
Payments to other governmental units	-	(162,248)	(162,248)
Transfers out	-	(60,000)	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(86,812)	(86,812)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	179,987	137,815	122,186
FUND BALANCE, JULY 1	458,649	458,649	458,649
FUND BALANCE, JUNE 30	\$ 638,636	\$ 596,464	\$ 580,835

The accompanying notes to the financial statements are an integral part of this statement.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
TECHNICAL EDUCATION FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
			<u>(Note 1)</u>
REVENUES:			
Local sources	\$ 1,396,926	\$ 1,575,410	\$ 1,575,409
State sources	258,421	201,476	201,475
Federal sources	86,218	92,261	92,261
TOTAL REVENUES	<u>1,741,565</u>	<u>1,869,147</u>	<u>1,869,145</u>
EXPENDITURES:			
Instruction	1,197,776	992,781	992,777
Supporting services	672,290	661,936	661,936
TOTAL EXPENDITURES	<u>1,870,066</u>	<u>1,654,717</u>	<u>1,654,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(128,501)</u>	<u>214,430</u>	<u>214,432</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	72,514	72,514
Payments to other governmental units	-	(157,484)	(157,484)
Transfers out	-	(83,000)	(83,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(167,970)</u>	<u>(167,970)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(128,501)</u>	<u>46,460</u>	<u>46,462</u>
FUND BALANCE, JULY 1	<u>439,428</u>	<u>439,428</u>	<u>439,428</u>
FUND BALANCE, JUNE 30	<u>\$ 310,927</u>	<u>\$ 485,888</u>	<u>\$ 485,890</u>

The accompanying notes to the financial statements are an integral part of this statement.



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
EARLY CHILDHOOD FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) (Note 1)
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 38,388	\$ 37,847	\$ 37,847
Federal sources	1,506,278	1,533,909	1,533,909
TOTAL REVENUES	1,544,666	1,571,756	1,571,756
EXPENDITURES:			
Instruction	640,615	665,766	665,766
Supporting services	904,051	797,104	797,104
TOTAL EXPENDITURES	1,544,666	1,462,870	1,462,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	108,886	108,886
OTHER FINANCING SOURCES (USES):			
Transfers out	-	(108,886)	(108,886)
TOTAL OTHER FINANCING SOURCES (USES)	-	(108,886)	(108,886)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-
FUND BALANCE, JULY 1	(1,220)	(1,220)	(1,220)
FUND BALANCE, JUNE 30	\$ (1,220)	\$ (1,220)	\$ (1,220)

The accompanying notes to the financial statements are an integral part of this statement.



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**FEDERAL SINGLE AUDIT REPORTS**

For the Year Ended June 30, 2005

# DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Dickinson-Iron Intermediate School District  
Kingsford, Michigan

We have audited the financial statements of Dickinson-Iron Intermediate School District as of and for the year ended June 30, 2005, and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Dickinson-Iron Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dickinson-Iron Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co., P.C.*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
July 28, 2005





**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Board of Education  
Dickinson-Iron Intermediate School District  
Kingsford, Michigan

**Compliance**

We have audited the compliance of Dickinson-Iron Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Dickinson-Iron Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dickinson-Iron Intermediate School District's management. Our responsibility is to express an opinion on Dickinson-Iron Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dickinson-Iron Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dickinson-Iron Intermediate School District's compliance with those requirements.

In our opinion, Dickinson-Iron Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of Dickinson-Iron Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dickinson-Iron Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co. PLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
July 28, 2005

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2004	
			Accrued Receivable	Deferred Revenue
<u>GENERAL FUND</u>				
Flow Through - Michigan <u>Department of Education</u>				
<u>U.S. Department of Education</u>				
<u>Title V - Innov. Educ. Program</u>	84.298			
Source Project #0502500405		\$ 912	\$ -	\$ -
<u>Infant &amp; Toddler</u>				
Source Project #041340189	84.181	93,022	4,267	-
Source Project #051340190		86,448	-	-
		179,470	4,267	-
<u>Improving Teacher Quality</u>	84.367			
Source Project #0505200405		625	-	-
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		181,007	4,267	-
<u>Flow Through - Department of Education</u>				
<u>Building Bridges</u>	84.215X			
Source Project #U215X040066		696,450	-	-
<u>Flow Through Marquette-Alger ISD</u>				
<u>Title V</u>	84.298			
Source Project #040480/TMT		3,814	-	-
<u>Flow Through - Natioanl Council on Economic Education</u>				
<u>Economic Education</u>	84.215B			
Source Project #Unknown		8,883	-	-
TOTAL US DEPARTMENT OF EDUCATION		890,154	4,267	-
TOTAL GENERAL FUND		\$ 890,154	\$ 4,267	\$ -



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes to the schedule of federal financial awards are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 912</u>	<u>\$ -</u>
66,053	26,969	31,236	-
-	74,459	67,168	7,291
<u>66,053</u>	<u>101,428</u>	<u>98,404</u>	<u>7,291</u>
-	625	625	-
<u>66,053</u>	<u>102,965</u>	<u>99,941</u>	<u>7,291</u>
-	232,850	57,973	174,877
-	3,814	2,945	869
-	5,783	4,442	1,341
<u>66,053</u>	<u>345,412</u>	<u>165,301</u>	<u>184,378</u>
<u>\$ 66,053</u>	<u>\$ 345,412</u>	<u>\$ 165,301</u>	<u>\$ 184,378</u>

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2005

<u>Awarding Agency/ Award Description</u>	<u>Federal Catalog Number</u>	<u>Approved Grant Award Amount</u>	<u>July 1, 2004</u>	
			<u>Accrued Receivable</u>	<u>Deferred Revenue</u>
<u>SPECIAL EDUCATION FUND</u>				
Flow Through - Michigan				
<u>Department of Education</u>				
U.S. Department of Education				
<u>94-142 Flow Through</u>	84.027			
Source Project #0504500405		\$ 1,250,283	\$ -	\$ -
<u>Special Ed Grants</u>	84.027			
Source Project #050480EOSD		35,000	-	-
Source Project #050490CB		15,183	-	-
Source Project #050490TS		60,000	-	-
		110,183	-	-
<u>94-142 Pre-School</u>	84.173			
Source Project #0504600405		66,648	-	-
TOTAL US DEPARTMENT AND MICH. DEPT OF EDUCATION		1,427,114	-	-
Flow Through Marquette-Alger ISD				
<u>TMT</u>	84.027			
Source Project #050480/TMT		2,875	-	-
<u>UP Autism Network - UPAN</u>	84.027A			
Source Project #0504901D20		2,522	-	-
TOTAL FLOWTHROUGH MAISD		5,397	-	-
TOTAL SPECIAL EDUCATION FUND		\$ 1,432,511	\$ -	\$ -

The accompanying notes to the schedule of federal financial awards are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
<u>\$ -</u>	<u>\$ 1,250,283</u>	<u>\$ 1,250,283</u>	<u>\$ -</u>
-	35,000	35,000	-
-	15,183	15,183	-
-	60,000	60,000	-
-	110,183	110,183	-
-	66,648	66,648	-
-	1,427,114	1,427,114	-
-	2,875	2,603	272
-	2,522	-	2,522
-	5,397	2,603	2,794
<u>\$ -</u>	<u>\$ 1,432,511</u>	<u>\$ 1,429,717</u>	<u>\$ 2,794</u>

# DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

## **SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2004	
			Accrued Receivable	Deferred Revenue
TECHNICAL EDUCATION FUND				
Flow Through Marquette-Alger ISD				
Technology Prep	84.243A			
Source Project #053540501402		\$ 15,673	\$ -	\$ -
UP Entrepreneurship Curriculum				
Source Project #650W0201	17.267	17,270	-	-
TOTAL FLOWTHROUGH MAISD		32,943	-	-
Flow Through - Delta-Schoolcraft ISD				
Carl Perkins	84.048			
Source Project #Unknown		71,255	32,205	-
Source Project #Unknown		70,074	-	-
TOTAL FLOWTHROUGH DSISD		141,329	32,205	-
TOTAL TECHNICAL EDUCATION FUND		174,272	32,205	-
EARLY CHILDHOOD EDUCATION FUND				
Flow Through - Michigan Department of Education				
U.S. Department of Agriculture				
CCFP Meals	10.558	74,051	-	-
Flow Through Health and Human Services				
Head Start	93.600			
2004/05		1,459,858	-	-
TOTAL EARLY CHILDHOOD EDUCATION FUND		1,533,909	-	-
TOTAL ALL FUNDS FEDERAL FINANCIAL AWARDS		\$ 4,030,846	\$ 36,472	\$ -

The accompanying notes to the schedule of federal financial awards are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
<u>\$ -</u>	<u>\$ 15,673</u>	<u>\$ 11,437</u>	<u>\$ 4,236</u>
<u>-</u>	<u>6,514</u>	<u>-</u>	<u>6,514</u>
<u>-</u>	<u>22,187</u>	<u>11,437</u>	<u>10,750</u>
<u>71,255</u>	<u>-</u>	<u>32,205</u>	<u>-</u>
<u>-</u>	<u>70,074</u>	<u>22,872</u>	<u>47,202</u>
<u>71,255</u>	<u>70,074</u>	<u>55,077</u>	<u>47,202</u>
<u>71,255</u>	<u>92,261</u>	<u>66,514</u>	<u>57,952</u>
<u>-</u>	<u>74,051</u>	<u>74,051</u>	<u>-</u>
<u>-</u>	<u>1,459,858</u>	<u>1,459,858</u>	<u>-</u>
<u>-</u>	<u>1,533,909</u>	<u>1,533,909</u>	<u>-</u>
<u>\$ 137,308</u>	<u>\$ 3,404,093</u>	<u>\$ 3,195,441</u>	<u>\$ 245,124</u>





ANDERSON, TACKMAN  
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CERTIFIED PUBLIC ACCOUNTANTS

DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Subrecipient Grant Award Amount	July 1, 2004		Prior Year Expenditures	Current Year Transfers	Amounts Reported By Subrecipient	June 30, 2005 Due To / Due From Subrecipient
			Due To Subrecipient	Due From Subrecipient				
<b><u>SPECIAL EDUCATION FUND</u></b>								
U.S. Department of Education								
94-142 Flow Through								
Source Project #0504500405								
84.027								
<b><u>Subrecipient</u></b>								
		\$	44,556	\$	-	\$	44,556	\$
Breitung Township Schools			14,378		-		14,378	
Forest Park Schools			31,284		-		31,284	
Iron Mountain Public Schools			9,796		-		9,796	
North Dickinson Schools			18,170		-		18,170	
Norway Vulcan Schools			39,816		-		39,816	
West Iron County Schools					-			
Sub-Total			158,000		-		158,000	
<b><u>Flow Through - Department of Education</u></b>								
<b><u>Building Bridges</u></b>								
Source Project #U215X040066								
84.215X								
<b><u>Subrecipient</u></b>								
Eastern U.P. ISD			34,037		-		34,037	
Marquette-Alger ISD			38,055		-		38,055	
Copper Country ISD			31,005		-		31,005	
Gogebic-Ontonagon ISD			23,955		-		23,955	
Sub-Total			127,052		-		127,052	
Total Awards Provided to Subrecipients		\$	285,052	\$	-	\$	285,052	\$

The accompanying notes to the schedule of federal financial awards are an integral part of this statement.

**DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS**

For the Year Ended June 30, 2005

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of Dickinson-Iron Intermediate School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**NOTE 2 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

**NOTE 3 - COST REPORTS**

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

**NOTE 4 - GRANTS SECTION AUDITORS' REPORT**

Management has utilized the Grants Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.



## **DICKINSON-IRON INTERMEDIATE SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2005

#### **A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of Dickinson-Iron Intermediate School District.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of Dickinson-Iron Intermediate School District.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Dickinson-Iron Intermediate School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Dickinson-Iron Intermediate School District.
7. The programs tested as major programs included: CFDA No. 84.027 Special Education and CFDA No. 84.173 94-142 Pre-School.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Dickinson-Iron Intermediate School District was determined to be a low-risk auditee.

#### **B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no findings or questioned costs.

#### **C. SUMMARY OF PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no prior findings or questioned costs.

